

Addressing payment inaccuracies in the outpatient PPS

ISSUE: Payment inaccuracies in any prospective payment system can result in payment inequities among providers and may inappropriately influence their decisions over which services to furnish. Preliminary results from data analysis suggest that payment inaccuracies exist in the outpatient prospective payment system (PPS).

KEY POINTS: From our data analysis, we have identified two potential sources of payment inaccuracies in the outpatient PPS.

- Complex, high-cost services appear to be more profitable than basic, low-cost services, but this finding is preliminary.
- Hospitals exhibit economies of scale in their outpatient departments. However, the outpatient PPS does not adjust payments for hospitals' outpatient volume. Therefore, geographically isolated, low-volume hospitals are at a disadvantage.

We intend to further analyze data to better identify sources of payment inaccuracies and investigate how they can be addressed.

ACTION: Staff seeks the Commissioners' technical questions, comments, and guidance on the direction of the work.

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